



Prime Minister

See especially para. 6.

A.S.C. 25
11.

MO 26/9/1

FOREIGN AND COMMONWEALTH SECRETARY

para 6 *Amended*

SUPPLY OF NAVAL EQUIPMENT TO GERMANY FOR INSTALLATION
IN ARGENTINE DESTROYERS

At their meeting on 21st July 1982 (OD(82)15th meeting), OD considered a paper (OD(82)63) on the supply of British equipment to the West German shipbuilders Blohm and Voss for installation in 4 MEKO 360 Destroyers being built for the Argentine Navy. These ships contain a significant amount of British equipment which had been embargoed since the beginning of the Falklands conflict, most notably Rolls Royce Tyne and Olympus marine gas turbine engines coupled with David Brown gearing. Because of the importance of the UK being seen as a reliable supplier and honouring contracts with a NATO ally and valuable trading partner, OD agreed that the equipment should be supplied but that the Germans, who were at that time still maintaining an embargo on defence sales to Argentina, should be asked to consult us before releasing the ships to Argentina. In the event, the Germans declined to accept this proviso and it was subsequently agreed that the British equipment should be supplied nonetheless. Three of the 4 ships have now been delivered to the Argentine Navy and the last one is expected to be handed over at the end of March 1984.

2. Since the UK embargo on this equipment was lifted, export licences have been approved, but there remain a number of items of British equipment awaiting either initial approval or renewal of export licences already granted but now expired. Furthermore, if our policy remains unchanged we may expect to receive an increasing number of applications for long-term spares. It is now 18 months since the OD decision and we need to review our position before any further licences are granted.



3. Details of the British equipment involved, together with on-going support commitments and the licensing position, are set out at Annex. The issues fall into the following categories:-

a. the supply of equipment still to be delivered under the original contracts. The main items in this category are one Rolls Royce Olympus main gas turbine engine and 2 spare engine change units valued at approximately £3.6M in all. This equipment is ready for immediate export. Rolls Royce attach importance to fulfilling this large export order and are pressing for authorisation to despatch the equipment;

b. replacement of items supplied to Germany which were found to be defective by the shipbuilders (within any guarantee period) and where the responsibility for the defect clearly rests with the British manufacturer. Spares for the MEL Scimitar ECM equipment fall into this category;

c. replacement of items which, although in good condition when supplied by the British manufacturer, were subsequently damaged by the shipbuilders during installation. A Graseby Dynamics towed array decoy system falls into this category.

4. In addition our officials anticipate that further decisions could be required in future under the following categories:-

a. spares for equipments which have already been delivered arising from a commitment to provide after sales support in the original contract;

b. spares for which there is no contractual commitment yet.

5. Although the OD decision in July 1982 clearly permitted the supply of the equipment required for the completion of the 4 Destroyers,



the question of supplying further spares or replacing defective or damaged equipment was not addressed. There is also the problem that items such as engine spares, which are common to the Type 42 Destroyers in service with Argentina, may be ordered in larger quantities than those strictly required for the MEKO 360 Destroyers. While HMG has the ability to control the export of equipment under the Export of Goods (Control) Order, this does not extend to the provision of after sales servicing or technical advice.

6. I propose that we should take the following action in respect of licensing equipments for the 4 MEKO 360 Destroyers:

a. further licences for equipment to be installed in the fourth destroyer should not be granted unless the manufacturer can satisfactorily demonstrate that this is in accordance with a contract signed before April 1982;

b. spares required in support of equipment already supplied, including those required to replace damaged or defective equipment, should be licensed only where it can be satisfactorily demonstrated that these form part of a specific contractual commitment entered into before April 1982 and the need for replacement is genuine. However, no further licences should be approved after the delivery of the fourth Destroyer to Argentina. This may involve some companies reneging on long term support commitments, but in most cases a supply of spares for several years will have been included in the initial outfit;

c. no licences should be approved for further spares not covered by contracts signed before April 1982.

I should be grateful for your agreement to proceed on this basis.



7. I am copying this minute to the Prime Minister, the other members of OD and Sir Robert Armstrong.

[Handwritten signature]

Ministry of Defence
23rd January 1984

ARGENTINA - UK EQUIPMENT FOR MEKO 360 DESTROYERS

Company and Equipment	Spares/Support Commitment	Export Licence Required for a) Eqpt b) Spares	Remarks
David Brown Gearing - Gears	Initial Spares outfit for 4-5 years. Commitment 10 years from delivery of last vessel.	a) No b) No	Spares could be supplied from sources overseas
Gloster Saro - Air Intake and Exhaust Silencers	None	a) No b) No	
Hale Hamilton Valves - HP Air Equipment	None	a) No b) No	
Hawker Siddeley Dynamics - Engine Control Gear	None	a) No b) No	Argentine Navy would look to Blohm and Voss for Repair
MacTaggart Scott - Helicopter handling	None	a) Yes b) No	Specialist items would be required from the UK
Vosper Thorneycroft - Stabilizers	None	a) No b) No	Specialist items would be required from the UK
Rolls Royce Gas Turbines	Initial spares outfit for 4-5 years. Commit- ment 10 years from delivery of last vessel	a) Yes b) No	Export Licence outstanding for 1 spare set of engines (1 Olympus and 2 Tyne). Olympus Common to Type 42 Destroyers in service with Argentine Navy
W & J Todd - Sonar Domes	None	a) Yes b) Yes	

ANNEX
(CONTINUED)

Company and Equipment	Spares/Support Commitment	Export Licence Required for a) Eqpt b) Spares	Remarks
Racal-Decca Marine Radar - Navigation radar	None - 1 year initial spares outfit	a) Yes b) Yes	Common to Type 42 Destroyers in service with Argentine Navy
Wynstruments - Window wipers	None - 1-3 years initial spares outfit	a) No b) No	
Hanworthy Engineering Sewage Treatment Plants	None	a) No b) No	
AGI - Naval Logs	None - 2 years initial spares outfit	a) No b) No	
Graseby Dynamics - Towed Decoy System	2-3 years initial spares outfit. Commitment 10 years from delivery of last vessel	a) Yes b) Yes	Items have been damaged during installation
COSSOR - IFF	Commitment 10 years from delivery of last vessel	a) Yes b) Yes	Spares could probably be supplied from sources overseas
MEL - SCIMITAR ECM equipment	None	a) Yes b) Yes	Specialist items would be required from the UK
Premaberg - Combustion air filters	None - 2 years initial spares outfit	a) No b) No	

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10 DOWNING STREET

From the Private Secretary

26 January 1984

Supply of naval equipment to Germany
for installation in Argentine destroyers

The Prime Minister has seen your Secretary of State's minute of 23 January to the Foreign and Commonwealth Secretary.

Subject to the views of Sir Geoffrey Howe and other members of OD, the Prime Minister is inclined to agree with the recommendations in paragraph 6.

I am copying this letter to the Private Secretaries to other members of OD and to Richard Hatfield (Cabinet Office).

A. J. COLES

Richard Mottram, Esq.,
Ministry of Defence.

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FCS/84/45

SECRETARY OF STATE
FOR DEFENCE

N.B.P.R.

A.S.C. 107
/2.

Supply of Naval Equipment to Germany
for Installation in Argentine Destroyers

1. Your minute of 23 January suggested a need to review the decision taken by OD in 1982 to make an exception to our embargo on defence equipment destined for Argentina in the case of supplies for the destroyers being built in Germany.
2. I believe that a review is timely. Our reasons for making an exception in 1982 were sound but I believe that British companies have now had a good opportunity to meet their commitments. It would be wrong to allow this concession to continue indefinitely: the handing over of the fourth destroyer to Argentina makes a convenient cut-off point for the supply of spares. I therefore agree with your proposals for dealing with all remaining export licence applications for equipment for these vessels. In fairness to the companies concerned I hope they can be told as soon as possible that they only have a limited time in which to complete their orders.
3. I am copying this minute to members of OD and Sir Robert Armstrong.

GEOFFREY HOWE

Foreign and Commonwealth Office

10 February 1984

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Reference
series

10 FEB 1951

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Secretary of State for Trade and Industry

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6 February 1984

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Sir Geoffrey Howe QC MP
Secretary of State for Foreign and
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Foreign and Commonwealth Office
Downing Street
LONDON
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N.S.P.D.

A.S.C. 2/2

D. Geoffrey

SUPPLY OF NAVAL EQUIPMENT TO GERMANY FOR INSTALLATION IN
ARGENTINE DESTROYERS

I have seen Michael Heseltine's minute to you of 23 January and the letter of 26 January recording the Prime Minister's views.

2 I believe that the proposed course of action represents a practical way forward.

3 However, as you will appreciate West Germany is our second largest market. I would hope in the event that any UK supplier is faced with breaking its long term commitment to the West German contractors - as is possible if we approve no further licences after the end of March - then we might have an opportunity to review this in the light of events as they develop.

4 As Michael's Annex shows, most of the spares for our equipment are not subject to licensing and will presumably be supplied by the manufacturers without reference to HMG.

5 I am copying this letter to the Prime Minister, other members of OD and Sir Robert Armstrong.

NORMAN TEBBIT

~~Defense~~
Sous
PC 3



5 FEB 1964

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Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

31 January 1984

nbpm
JMS
2/8

Richard Mottram Esq
Private Secretary to the
Secretary of State for Defence
Ministry of Defence
Main Building
Whitehall
LONDON SW1

Dear Richard,

SUPPLY OF NAVAL EQUIPMENT TO GERMANY FOR
INSTALLATION IN ARGENTINE DESTROYERS

The Chancellor has seen your Secretary of State's minute of 23 January to the Foreign and Commonwealth Secretary, and agrees with what is proposed.

I am copying this letter to John Coles (No 10), to the Private Secretaries to other members of OD and to Richard Hatfield (Cabinet Office).

Yours ever,

Miss J C Simpson

MISS J C SIMPSON
Private Secretary

Defence Service A-1

2 FEB 1984

